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FM AMEMBASSY JAKARTA
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RUEHRH/AMEMBASSY RIYADH 0356
RUEHYN/AMEMBASSY SANAA 0024
RUEHJI/AMCONSUL JEDDAH 0167
RHMCSUU/DEPT OF ENERGY WASHINGTON DC
RUCPDOG/DEPT OF COMMERCE WASHDC
INFO RUEHJA/AMCONSUL SURABAYA 1224

C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 001185

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E.O. 12958: DECL: 01/26/2016
TAGS: [ECON](#) [EMIN](#) [ENIV](#) [ID](#)
SUBJECT: FREEPORT PURSUES "NO TALL TREES" STRATEGY IN ARMY
PAYMENTS PROBE

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Classified By: Energy and Mineral Resources Officer Kurt van der Walde,
Reason:1.5 (b) and (d).

11. (C/NF) Summary. A senior executive from the U.S. mining giant Freeport McMoRan Copper & Gold told us on January 25 that his company will avoid the media spotlight while cooperating fully with GOI inquiries regarding the legality of the mining giant's payments to Indonesian security forces in Papua. He added that the company will flood selected prominent political opponents with detailed records showing Freeport's contribution to the Indonesian economy and treasury and to local communities where Freeport operates. Separately, Defense Minister Juwono Sudarsono said on 25 January that he has ordered an inquiry into the allegations raised by last month's New York Times report detailing nearly USD 20 million in payments to military and police officials from 1998 through 2004. The Freeport executive also alleged that Saudi Wahabi extremists, who wish to drive American companies out of Indonesia and topple President Susilo Bambang Yudhoyono (SBY) from power, have made common cause with and are funding many of the environmental and political organizations causing problems for Freeport. However, he did not provide evidence to substantiate this allegation. End Summary.

12. (C/NF) Freeport-Indonesia's Senior Vice President Dan Bowman told us on 25 January that the U.S. mining company will keep a low profile in rebutting the charges from last month's New York Times report detailing almost USD 20 million in payments to police and military security forces in Papua from 1998 through 2004. Bowman said local environmental groups and other political opponents of the company have seized on the Times article as a means to shutter the company's Papua operations and drive them and other American companies out of Indonesia. In response, he said that the company will pursue a "No Tall Trees" strategy so as not to stand out and draw attention to itself. The company is confident that they enjoy support at the highest levels of the Indonesian executive branch, according to Bowman, and that pursuing a high profile public relations strategy to rebut the myriad spurious allegations and exaggerations against the company would risk winning battles only to lose the war. Nonetheless, he said Freeport expects a tough road ahead with little overt public support from SBY or Vice President Jusuf Kalla.

Seeking out Amien Rice and Other Opponents

¶3. (C/NF) Meanwhile, Bowman said Freeport will seek out prominent vocal political opponents like former People's Consultative Assembly Speaker Amien Rais, who recently strongly supported calls by environmental groups to close Freeport's Papua mine operation. Rais said in press interviews on January 20 that Freeport had committed "a crime," not just violations of environmental and financial regulations. Rais also said that Freeport paid few taxes and the Indonesian people got little from the company's presence. Bowman said that Freeport's Indonesian President Director met with Rais on January 25 to provide him detailed copies of Freeport's Indonesian tax returns back to 1995, detailing the annual tax and royalty payments to the GOI, which totaled USD 1.1 billion in 2005, according to Bowman. He said that Freeport spent USD 51 million in community development programs in Papua last year. In addition he said high mineral prices will probably boost the value of the Papua mine's output to an amount equivalent to 3.5-4 percent of Indonesia's 2005 GDP. (Note: Indonesia's estimated 2005 GDP was USD 270 billion. Company financial statements report USD 4.18 billion in 2005 revenue, or about 1.5 percent of Indonesian GDP.) Bowman was philosophical about swaying critics with facts, however. "They want to topple SBY, and we're a good means through which to attack him and hopefully get a piece of the mine for their own pockets," he said.

¶4. (C/NF) Bowman said the company is still preparing detailed responses to each of the allegations raised in the December New York Times article. He said they will not likely make the report public but will provide it to the GOI when completed. He said the main allegations about direct payments by the company to military and police officials are true but misleading and resulted from the chaotic nature of Indonesian military and police finances. Bowman said that the military and police did not have institutional bank accounts into which Freeport could deposit funds, so they

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were forced to make payments directly to the commanding officers responsible for security at the mine. Bowman added that the company widely publicized to the GOI and to ordinary soldiers and police officers at the mine exactly how much was given to their commanding officers to avoid that money being stolen by the individuals receiving the money.

Allegation of Saudi Wahabist Involvement -----

¶5. (C/NF) Bowman offered no proof, but said he was growing increasingly confident that Saudi Wahabist extremists are funneling money through Yemen to the relatively large Indonesian-Yemeni community to support a broad range of anti-SBY and anti-U.S. business groups, all of whom have separate agendas and might not even be aware of their shared funding sources. He said the Indonesian environmental NGO Walhi that is leading the charge against Newmont and Freeport is funded by these individuals. He noted that the charity Medical Emergency Relief Charity (Mer-C) is making a big push into Papua, courtesy of Saudi funding, and said he doubted their altruistic motives. Bowman described a sophisticated and subtle campaign by un-named Saudis to influence public opinion in Indonesia away from its moderate form of Islam toward the Saudi's more fundamentalist version. He said the Saudi-backed Indonesian-Yemenis have quietly bought controlling interests in Sulawesi newspapers or suborned editors to begin to change their coverage to be more sympathetic to the Saudi's stricter form of Islam and an eventual Islamic republic in the archipelago.

¶6. (C/NF) Comment. The broad outlines of Freeport's payments to the military and police were public knowledge in Indonesia before the New York Times story broke. Nonetheless, the article has sparked a modest wave of press coverage in Jakarta, as well as critical statements by Rais

and the Environment Minister. However, we see no rush to judgment by the GOI--we are aware of no statements on the issue to date by SBY, Vice President Kalla, or Coordinating Minister Boediono. We have been picking up rumors of Saudi perfidy since 2002-2003, but have yet to see concrete proof of this connection. End Comment
PASCOE